

P412 'Ensuring non-BM Balancing Services providers are responsible for their imbalances'

This Modification will introduce imbalance charges for non-Balancing Mechanism (BM) Balancing Services providers, where their delivery does not match instructed volumes. This will mean the GB market more effectively meets the requirements of the Clean Energy Package.



Elexon recommends P412 is progressed to the Assessment Procedure for an assessment by a Workgroup



Elexon considers it likely that P412 will impact the European Electricity Balancing Guideline (EBGL) Article 18 terms and conditions held within the BSC

This Modification is expected to impact:

- Non-BM Balancing Services providers
- Suppliers
- National Grid ESO as the National Electricity Transmission System Operator (NETSO)
- Elexon as the Balancing and Settlement Code Company (BSCCo)



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About This Document

This document is an Initial Written Assessment (IWA), which Elexon will present to the BSC Panel at its meeting on 10 September 2020. The Panel will consider the recommendations and agree how to progress P412.

There are two parts to this document:

- This is the main document. It provides details of the Modification Proposal, an assessment of the potential impacts and a recommendation of how the Modification should progress, including the Workgroup's proposed membership and Terms of Reference.
- Attachment A contains the P412 Proposal Form.

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1 Summary

What is the issue?

The [Clean Energy Package Regulation 2019/943](#) (CEPR) requires that all market participants are responsible for the imbalances they cause on the system, and that imbalances are settled at a price reflecting the real time value of energy.

The imbalance calculation needs to change to ensure we can apply the imbalance price to the difference between the non-BM balancing services instructed volumes and delivered volumes.

What is the proposed solution?

To alter the [P354 'Use of ABSVD for non-BM Balancing Services at the metered \(MPAN\) level'](#) solution so that adjustments are made based on instructed volumes rather than delivered volumes. The solution would involve National Grid Electricity System Operator (NGESO) providing instructed rather than delivered volumes to the Supplier Volume Allocation Agent (SVAA) but the Applicable Balancing Services Volume Data (ABSVD) adjustment logic will not change.

Impacts

The initial view is that this Modification will impact non-BM Balancing Services providers, Suppliers and National Grid ESO.

This Modification will require changes to systems and documents. Impact assessments will be conducted during the Assessment Procedure.

Implementation

Implementation could be approximately 9 months from approval of the Modification. This timetable is subject to systems impact assessment and industry consultation.

Recommendation

This Modification should be progressed to the Assessment Procedure for consideration by a Workgroup. Given the potential impacts on market participants and the EBGL Article 18 terms and conditions held within the Balancing and Settlement Code (BSC), it is not suitable for Self-Governance so should be sent to the Authority for decision. There is no requirement for this proposed Modification to be Fast-Tracked, nor is it Urgent.



What is the issue?

The [Clean Energy Package Regulation 2019/943](#) (CEPR) requires that all market participants are responsible for the imbalances they cause on the system, and that imbalances are settled at a price reflecting the real time value of energy. Specifically, CEPR Article 5(1) states;

“All market participants shall be responsible for the imbalances they cause in the system (‘balance responsibility’). To that end, market participants shall either be balance responsible parties or shall contractually delegate their responsibility to a balance responsible party of their choice. Each balance responsible party shall be financially responsible for its imbalances and shall strive to be balanced or shall help the electricity system to be balanced”

and CEPR Article 6(5) states;

“The imbalances shall be settled at a price that reflects the real-time value of energy”.

When the National Electricity Transmission System Operator (NETSO) issues an instruction to a non-BM (Balancing Mechanism) Balancing Services Provider (BSP), there is currently no financial penalty if they under-deliver against that instruction within the scope of the BSC. However, this will cause an imbalance as there is a shortfall in the amount of energy expected by the NETSO. According to the CEPR, this imbalance must be charged to the non-BM BSP or a balance responsible party of their choice (for example the Supplier responsible for the boundary point meters of the unit providing the service).

Over-delivery is already paid at the imbalance price. This is because Elexon will adjust the Supplier’s position based on the Applicable Balancing Services Volume Data (ABSVD). ABSVD is based on the delivered volume of a non-BM Balancing Service. Where a unit delivers more than it was supposed to, the ABSVD will adjust the Supplier’s position by the amount instructed plus the additional amount, and the whole volume is subject to imbalance payments. However, when a service under-delivers the adjustment is only made for this lower volume, meaning the shortfall is not charged at the imbalance price.

The imbalance calculation needs to change to ensure we can apply the imbalance price to the difference between the non-BM balancing services instructed volumes and delivered volumes.

Desired outcomes

The desired outcome is that all Balancing Services providers, including those not activated via the Balancing Mechanism, will be responsible for imbalances resulting from deviations from their instructions to deliver a Balancing Service.

What are imbalances?

Imbalances are the difference between contracted and actual metered volumes.



What is ABSVD?

Applicable Balancing Services Volume Data (ABSVD) is Balancing Services Volume Data sent by the Transmission Company to the Settlement Administration Agent (SAA) and Balancing Mechanism Reporting Agent (BMRA). This data is per Settlement Period and BM Unit and it is sent in accordance with BSC Section Q6.4.

Proposed solution

The [P354 'Use of ABSVD for non-BM Balancing Services at the metered \(MPAN\) level'](#) solution enables Settlement to apply adjustments to Suppliers imbalance position based on delivered volumes of non-BM Balancing Services. If we were to alter this process so that adjustments were made based on instructed volumes rather than delivered volumes, this would ensure that a Supplier's portfolio is appropriately adjusted for both under and over delivery of non-BM Balancing Services.

This solution works because the Supplier would be exposed, at a portfolio level, to differences between the instructed non-BM Ancillary Services volumes and the actual metered volumes at their sites. This deviation would be aggregated with other deviations between their contracted and metered volumes.

This solution would involve NGENSO providing instructed rather than delivered volumes to Supplier Volume Allocation Agent (SVAA), but the ABSVD adjustment logic will not change.

The P412 solution applies to Half Hourly (HH) metered Supplier Volume Allocation (SVA) registered sites, as this is a limitation of the original ABSVD solution. There are some Central Volume Allocation (CVA) sites which operate in non-BM mode and therefore may come into scope, depending on how they operate.

Benefits

The initial benefit of this Modification is to ensure the GB energy market more effectively meets the requirements of the relevant paragraphs in the Clean Energy Package.

A further benefit will be to remove some inconsistencies between the arrangements of non-BM service providers and BM service providers. This could increase competitiveness between services. As a result of P412, the imbalance calculation will be consistent for both BM and non-BM Balancing Services providers.

Applicable BSC Objectives

The Proposer believes that this Modification is primarily positive against Applicable BSC Objective (e): 'Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-Operation of Energy Regulators]', as it brings GB arrangements into closer alignment with the Clean Energy Package Regulation.

The Proposer believes that this Modification will also result in a positive outcome versus Applicable BSC Objective (c): 'Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity', as it would remove some inconsistencies between imbalance provisions relating to non-delivery for non-BM Balancing Services and those for other Balancing Services.



What are the Applicable BSC Objectives?

(a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence

(b) The efficient, economic and co-ordinated operation of the National Electricity Transmission System

(c) Promoting effective competition in the generation and supply of electricity and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity

(d) Promoting efficiency in the implementation of the balancing and settlement arrangements

(e) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency [for the Co-operation of Energy Regulators]

(f) Implementing and administrating the arrangements for the operation of contracts for difference and arrangements that facilitate the operation of a capacity market pursuant to EMR legislation

(g) Compliance with the Transmission Losses Principle

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Implementation approach

Implementation could be approximately 9 months from approval of the Modification. This timetable is subject to systems impact assessment and industry consultation.

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4 Areas to Consider

Areas to consider

The table below summarises the areas we believe a Modification Workgroup should consider as part of its assessment of P412:

| Areas to Consider |
|--|
| How P412 will impact the Transmission Licence C16 Statements and Applicable Balancing Services Volume Data (ABSVD) Methodology? |
| How, from whom, and when should non-BM Balancing Services instructions be sent to the Settlement Administration Agent (SAA)? |
| How should the sending of non-BM Balancing Services instructions be regulated? |
| How should SAA be updated with the relevant list of Metering System Identifier (MSID) Pairs? |
| What are the implications for customers of adjustments being made to their Supplier's imbalance positions? |
| What are the effects on other Balancing Services products as a result of this Modification? |
| What is the impact of P412 on consumers? |
| How will P412 impact the BSC Settlement Risks? |
| What changes are needed to BSC documents, systems and processes to support P412 and what are the related costs and lead times? When will any required changes to subsidiary documents be developed and consulted on? |
| Are there any Alternative Modifications? |
| Should P412 be progressed as a Self-Governance Modification? |
| Does P412 better facilitate the Applicable BSC Objectives than the current baseline? |
| Does P412 impact the EBGL provisions held within the BSC, and if so, what is the impact on the EBGL Objectives? |

5 Proposed Progression

Next steps

The Modification should be assessed by a Workgroup and submitted to the Assessment Procedure by the BSC Panel.

Workgroup membership

We recommend that the Workgroup comprise of participants who have expertise or experience in the following areas:

- Non-BM Balancing Services;
- Applicable Balancing Services Volume Data (ABSVD);
- EBGL matters; and
- Imbalance.

Timetable

| Proposed Progression Timetable for P412 | |
|--|---|
| Event | Date |
| Present Initial Written Assessment to Panel | 10 Sep 2020 |
| Workgroup Meeting 1 | W/B 26 Oct 2020 |
| Workgroup Meeting 2 | W/B 23 Nov 2020 |
| Workgroup Meeting 3 | W/B 14 Dec 2020 |
| Workgroup Meeting 4 | W/B 1 Feb 2021 |
| Assessment Procedure Consultation | 24 Feb 2021 – 17 Mar 2021 |
| Workgroup Meeting | W/B 29 Mar 2021 |
| Present Assessment Report to Panel | 13 May 2021 |
| Report Phase Consultation | 20 May 2021 – 21 Jun 2021 |
| Present Draft Modification Report to Panel | 08 Jul 2021 |
| Issue Final Modification Report to Authority | 15 Jul 2021 |
| Development of subsidiary documents | During the Implementation phase (post-decision) |

6 Likely Impacts

P412 is likely to require changes to both documents and systems. Our initial view is shown here and will be discussed and explored during the Assessment Procedure.

Impact on BSC Parties and Party Agents

| Party/Party Agent | Potential Impact |
|-------------------|--|
| Generators | To be considered during the Assessment Procedure |
| Suppliers | To be considered during the Assessment Procedure |

Impact on the NETSO

The NETSO will need to provide SVAA with instructed volumes for non-BM Balancing Services Providers

Impact on BSCCo

| Area of Elexon | Potential Impact |
|--------------------------------|---------------------------|
| Settlement & Invoicing Product | Dependent on the solution |

Impact on BSC Settlement Risks

The impact on BSC Settlement Risks will be considered during the Assessment Procedure

Impact on BSC Systems and processes

| BSC System/Process | Potential Impact |
|--|--|
| Balancing Mechanism Reporting Service (BMRS) | To be considered during the Assessment Procedure |
| Central Registration Service (CRS) | To be considered during the Assessment Procedure |
| Settlement Administration Agent (SAA) | To be considered during the Assessment Procedure |
| Supplier Volume Allocation Agent (SVAA) | To be considered during the Assessment Procedure |

Impact on BSC Agent/service provider contractual arrangements

| BSC Agent/service provider contract | Potential Impact |
|--|--|
| Balancing Mechanism Reporting Agent (BMRA) | To be considered during the Assessment Procedure |

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| Impact on BSC Agent/service provider contractual arrangements | |
|---|--|
| BSC Agent/service provider contract | Potential Impact |
| Central Registration Agent (CRA) | To be considered during the Assessment Procedure |
| Settlement Administration Agent (SAA) | To be considered during the Assessment Procedure |
| Supplier Volume Allocation Agent (SVAA) | To be considered during the Assessment Procedure |

| Impact on Code | |
|---|--|
| Code Section | Potential Impact |
| BSC Section J 'Party Agents and Qualification Under the Code' | To be considered during the Assessment Procedure |
| BSC Section Q 'Balancing Services Activities' | To be considered during the Assessment Procedure |
| BSC Section S 'Supplier Volume Allocation' | To be considered during the Assessment Procedure |
| BSC Section S, Annex S-2 'Supplier Volume Allocation Rules' | To be considered during the Assessment Procedure |
| BSC Section V 'Reporting' | To be considered during the Assessment Procedure |
| BSC Section X 'Definitions and Interpretation' | To be considered during the Assessment Procedure |
| BSC Section X, Annex X-2 'Technical Glossary' | To be considered during the Assessment Procedure |

| Impact on EBGL Article 18 terms and conditions |
|--|
| We initially expect P412 to impact the EBGL Article 18 terms and conditions held within the BSC. The impact on EBGL Article 18 terms and conditions will be considered during the Assessment Procedure |

| Impact on Code Subsidiary Documents | |
|--|--|
| CSD | Potential Impact |
| BSCP01 'Overview of Trading Arrangements' | To be considered during the Assessment Procedure |
| BSCP503 'Half Hourly Data Aggregation for SVA Metering Systems Registered in SMRS' | To be considered during the Assessment Procedure |
| BSCP508 'Supplier Volume Allocation Agent' | To be considered during the Assessment Procedure |
| SVA Data Catalogue | To be considered during the Assessment Procedure |
| Interface Definition Documents | To be considered during the Assessment Procedure |

| Impact on other Configurable Items | |
|---|------------------|
| Configurable Item | Potential Impact |
| No other Configurable Items expected to be impacted | |

| Impact on Core Industry Documents and other documents | |
|---|---------------------------------------|
| Document | Potential Impact |
| Ancillary Services Agreements | No impact expected |
| Applicable Balancing Services Volume Data (ABSVD) Methodology | Potential impact on ABSVD Methodology |
| Connection and Use of System Code | No impact expected |
| Data Transfer Services Agreement | No impact expected |
| Distribution Code | No impact expected |
| Distribution Connection and Use of System Agreement | No impact expected |
| Grid Code | No impact expected |

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| Impact on Core Industry Documents and other documents | |
|---|---|
| Document | Potential Impact |
| Master Registration Agreement | No impact expected |
| Supplemental Agreements | No impact expected |
| System Operator-Transmission Owner Code | No impact expected |
| Transmission Licence | Potential impact on special condition C16 of the statements of the Transmission Licence |
| Use of Interconnector Agreement | No impact expected |

Impact on a Significant Code Review (SCR) or other significant industry change projects

We do not believe that P412 impacts on a Significant Code Review (SCR). We have therefore submitted a SCR Exemption Request to the Authority. We do not believe that P412 impacts on any other significant industry change projects.

Impact on Consumers

We do not believe that P412 will have any direct impact on Consumers.

Impact on the Environment

This Modification is neutral with the net zero target.

7 Recommendations

We invite the Panel to:

- **AGREE** that P412 progresses to the Assessment Procedure;
- **AGREE** the proposed Assessment Procedure timetable;
- **AGREE** the proposed membership for the P412 Workgroup; and
- **AGREE** the Workgroup's Terms of Reference.

Appendix 1: Glossary & References

Acronyms

Acronyms used in this document are listed in the table below.

| Acronym | |
|---------|---|
| Acronym | Definition |
| ABSVD | Applicable Balancing Services Volume Data |
| BM | Balancing Mechanism |
| BMRA | Balancing Mechanism Reporting Agent |
| BMRS | Balancing Mechanism Reporting Service |
| BSC | Balancing and Settlement Code |
| BSCCo | Balancing and Settlement Code Company |
| BSP | Balancing Services Provider |
| CEPR | Clean Energy Package Regulation |
| CRA | Central Reporting Agent |
| CRS | Central Reporting Service |
| CVA | Central Volume Allocation |
| EBGL | European Electricity Balancing Guideline |
| ESO | Electricity System Operator |
| HH | Half Hourly |
| NETSO | National Electricity Transmission System Operator |
| NGESO | National Grid Electricity System Operator |
| SAA | Settlement Administration Agent |
| SCR | Significant Code Review |
| SVA | Supplier Volume Allocation |
| SVAA | Supplier Volume Allocation Agent |

External links

A summary of all hyperlinks used in this document are listed in the table below.

All external documents and URL links listed are correct as of the date of this document.

| External Links | | |
|----------------|---------------------------------|---|
| Page(s) | Description | URL |
| 3,4 | Clean Energy Package Regulation | https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0943&from=EN |

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